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India:
Elephant Strides into the Future
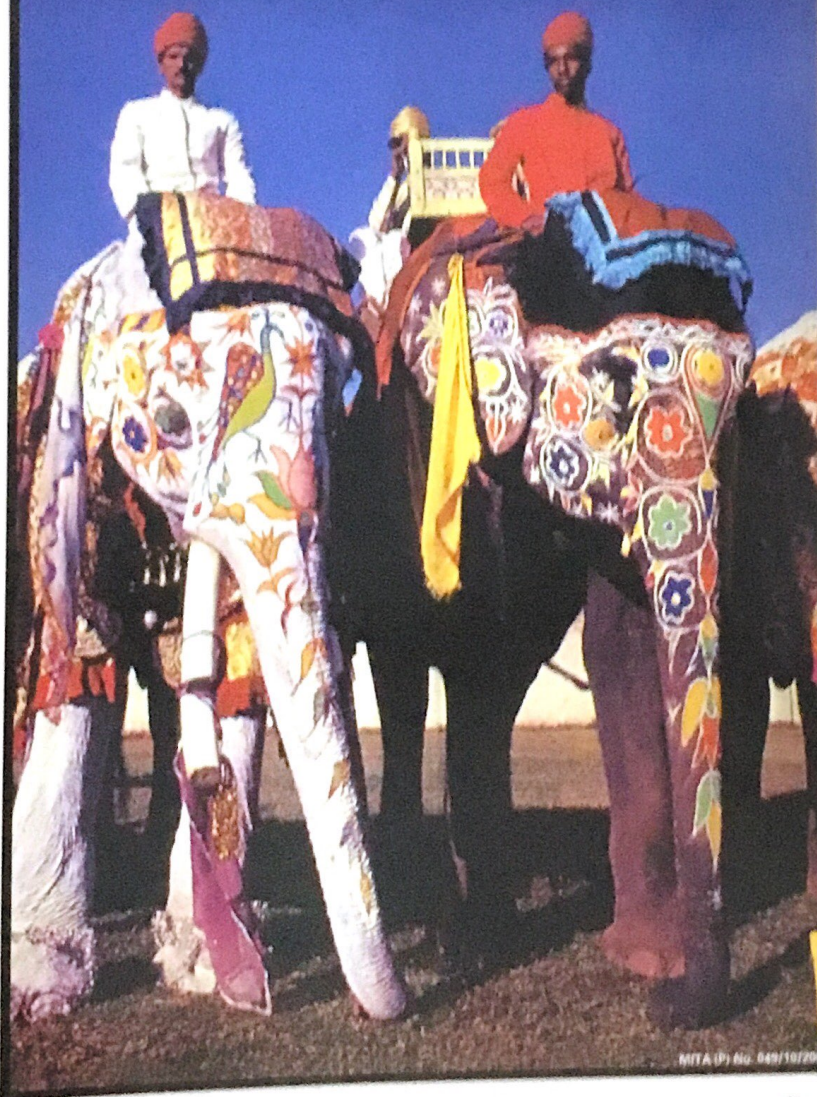
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Outsourcing – Why India?

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India, gives his personal take on this success story.

Bursting at its seams with a billion people, about a third of the population over the age of 15 is illiterate. Nine percent of infants do not live to see their fifth birthday. That is the story which the census figures tell about India. Nothing could be more deceptive. The other side of the story is a thriving economy, time-tested democracy, well-established judiciary, free press, culture dating back 5,000 years, advanced space and nuclear programmes and an education system that has produced the largest pool of English-speaking skilled human resources.

In spite of the problems posed by population and poverty, the symbiotic outsourcing relationship model, which it developed and perfected, has made India the leading player in providing Information Technology (IT) and IT-enabled services.

Outsourcing Is Not Just About Cost

Cost was the key driver for outsourcing when it started. It is still an important factor, but not the sole one. The ability to provide large numbers of skilled people, at relatively low costs, opened the gates for a flow of low-end technology work to India. The threat of a potential "Y2K" risk was an added impetus. But cost arbitrage is not a sustainable business model.

Indian companies were quick to realise this. They moved up the value chain to provide value-added services and consultancy support, and at the same time considerably broadening the range of services. In a matter of half a decade or so, the leading Indian IT service providers started providing a full spectrum of services in addition to the bread-and-butter business of software development. This spectrum of services ranged from those offered by the big consulting houses to infrastructure maintenance. The concept of a "one stop shop" in IT services was a welcomed one for CIOs. It helped them stabilise their IT costs in a fluctuating world. Outsourcing providers would extend fixed cost services to companies, helping them plan and budget without the risks of rates and availability. The element of predictability was a big boost to the outsourcing industry.

Outsourcing Recipe

Outsourcing is all about the availability and successful management of people, processes, expertise and the environment.

Population explosion is the biggest problem which India has been struggling to tackle for years. The same numbers have become a point of strength in the changed scenario. The ability to quickly ramp up and down based on needs is vital for outsourcing providers. The companies outsourcing should be able to get a large pool of people with the appropriate skills at short notice and should be able to release them at the end of the project. This would help the strategists plan projects without the need to address the issue of getting the required people and the problems of providing a good career path to this pool of people, on the rolls, at the end of the project. Contractors were the usual way out but that meant the bottom-line responsibility for working out the whole project rested with the company. Outsourcing providers from India offered a solution by providing both plans and people to execute the plans at a fixed cost. India has the largest pool of skilled, English-speaking resources for taking up such assignments. The leading outsourcing providers in India have grown multi-fold in the last few years, enlarging the human resource pool further.

Outsourcing is operating in the "remote mode". The company seeking service ships the work to places several thousands of miles away. The processes and quality standards followed by the service providers therefore become very critical. Indian service providers are some of the best in this area. They have refined the art of global delivery with the same level of effectiveness as doing it at a single location. The pursuit of excellence has also been remarkable. The list of CMM (Capability and Maturity Model for software from the Software Engineering Institute)-accredited companies looks like a "who's who" of Indian software. The leading providers in the country have the best of quality accreditations based on SEI, CMM, ISO and many others.

A Plug For The Education System

The education system of India has been recognised as one of the best of its kind. There are premier institutions such as IITs and IIMs developing world-class technology experts and managers. One of the leaders of the Indian IT industry mentioned in a TV interview given to an American channel that his son went to a top US university because he could not get an admission into one of the IITs. That would have sounded like a joke sometime back, but not anymore. The academic excellence of institutions like IITs has been well-established by the highly successful alumni.

The Pull Factors

India enjoys an environment which helps outsourcing providers offer high-quality services.

- **Government support**: Having recognised that outsourcing is a key export opportunity for India, the Government has taken all steps to facilitate growth of the outsourcing service providers. These actions include favourable tax and regulatory framework, infrastructure development, planning focus and much more. The representatives of providers have an advisory role in many key governing councils.
- **Stability**: India is a stable democ- ▶

racy with a well-established legal system. Political tension in the region has been a cause of concern, but not a deterrent. The company law and regulatory mechanism is time-tested. The accounting and management practices are transparent and under regulatory control. Almost all the leading Indian outsourcing providers report in multiple regulatory frameworks, including US GAAP. IPR and piracy laws ensure adequate protection to companies outsourcing to India.

- **Infrastructure**: Efficient and trustworthy telecom and related infrastructure are critical to effective outsourcing. India has moved ahead in this area. Some of the issues have been tackled by having specially serviced software parks and export processing zones.

What Can Be Outsourced?

There is a host of services that the outsourcing providers could offer. The most commonly outsourced functions are:

Information Technology

- IT strategy, technology and related consulting;
- Custom development of software;
- Application maintenance support;
- Package implementation;
- Application/ software testing services;
- IT infrastructure consulting and maintenance.

Process Outsourcing

- Call centres and other "customer interaction" services;
- Backoffice operations (human resource, payroll, accounting, tax, data entry, data management, backend business services, transaction processing, payment services, etc);
- **Research.**

The range of outsourcing supported from India is very wide. It could be the simple call centre service or John F Welch Technology Center of GE where hundreds of PhDs do cutting-edge research. Whether it is the call centre or the research centre, the manpower is almost entirely Indian and both offer cost optimisation and admirable quality of service.

Is Outsourcing Only For Developed Countries?

The focus on outsourcing is the US and the other developed Western countries. But outsourcing will be a profitable proposition for developing countries as well, though for slightly different reasons. Developing countries may look at India for getting the skills which they may not possess in adequate numbers – like software engineers who have worked in a CMM Level V environment. They may also gain financial advantage by using shared services which will help them to get high-quality systems and infrastructure. Setting up such facilities in the company itself will be unviable. It may also give access to the best practices of mature markets and the business skills that are non-existent in some developing markets.

Insurance – An Ideal Candidate For Outsourcing

Insurance companies have been one of the leading beneficiaries of the outsourcing revolution. They gained the advantage of cost-effective IT services to start with and then went on to reap the rewards for outsourcing processes.

A high degree of standardisation of core insurance processes makes it a very ideal candidate for outsourcing. Providers could very easily extend the industry knowledge they gain from one source to make their services more effective and efficient. It also offers a higher possibility of shared services. Leading insurers like Aviva, AXA and Prudential have successfully moved backoffice processes to India. The list of beneficiaries of IT outsourcing consists of giants such as AIG, Aegon, AXA, Prudential, Aon, Northwestern Mutual, Aetna, ING, and many more of that kind.

The Top Indian Service Providers

Tata Consultancy Services, Infosys Technologies and Wipro Technologies clearly lead the pack of Indian IT service providers offering global delivery of solutions. All three have excellent quality accreditations and a track record of consistent and predictable delivery of services over several years. With revenues in the range of US$1 billion, the leaders have offices and development centres across the globe.

What Does India Offer?

India is the lead outsourcing provider and predicted to grow stronger, leaving the second-tier providers far behind. The USP of India as the premier outsourcing destination includes the following differentiators:

- Highly skilled human resources;
- Sophisticated processes;
- Cost-effective services (could save companies anything from 25% onwards);
- Track record and experience of global delivery for many years;
- End-to-end services (consulting to post-implementation maintenance);
- Infrastructure and support mechanism;
- Governmental support for the outsourcing industry;
- Legal and statutory security.

Till the time one of its competitors can offer better value in terms of key differentiators, India will continue to be the top outsourcing destination.